

Pharmacy Clawback

What does this appropriation support?

This is a new section requested in FY-2006. The funding is a transfer from the Pharmacy section for "clawback" payments to the federal government.

The Medicare Prescription Drug, Improvement and Modernization Act (MMA) of 2003 requires that all individuals who are eligible for both Medicare and Medicaid begin receiving their prescription drugs through the Medicare Part D program. This change will result in a significant shift in benefits for elderly and disabled dual eligible beneficiaries because they will receive their drugs through a prescription drug plan (PDP) rather than through the state Medicaid program.

Beginning in FY-2006, states will be required to make a monthly payment to the federal government to, in effect, re-direct the money that the states would have spent on providing prescription drugs to beneficiaries in Medicaid. The clawback will consist of a monthly calculation based on the combination of (a) the state's per capita spending on prescription drugs in 2003, (b) the state Medicaid matching rate, (c) the number of dual eligibles residing in the state, and (d) a "phase-down percentage" of state savings to be returned to the federal government, beginning with 90% in 2006 and phasing down to 75% in 2015.

The federal government refers to this payment as the "Phased-down State Contribution", whereas the states more appropriately refer to the payment as the "Clawback". This clawback payment is, in effect, a funding source for the Medicare Part D program. In theory, it uses the General Revenue that the state would have paid for the Medicaid pharmacy benefit for funding the Part D program.

What is its statutory authority?

Medicare Prescription Drug, Improvement and Modernization Act (MMA) of 2003

Is this a federally mandated program?

Yes, the states are required to make a monthly payment to the federal government to re-direct the money that the states would have spent on providing prescription drugs to beneficiaries in Medicaid.

Are there federal matching requirements? No.

What are the expenditures?

	FY 2003* Actual	FY 2004* Actual	FY 2005* Actual	FY 2006 Planned
GR	\$0	\$0	\$0	\$97,407,513
FEDERAL	\$0	\$0	\$0	\$0
OTHER	\$0	\$0	\$0	\$0
TOTAL	\$0	\$0	\$0	\$97,407,513

*No expenditures in prior years. Program is expected to begin in January 2006.

What are the sources of other funds?

Not applicable